



Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Council's Responsibilities and Approval	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Statement of Comparison of Budget and Actual Amounts	7
Appropriation Statement	8 - 9
Accounting Policies	10 - 31
Notes to the Annual Financial Statements	31 - 63

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Council's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on its own funding and government funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern however the Hibiscus Coast Municipality will cease to exist on the 9th August 2016 and become a new municipality Ray Nkonyeni Municipality. Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 3 to 63, which have been prepared on the going concern basis, were approved by the on 31 August 2016 and were signed on its behalf by:



Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	8	3,393,864	2,542,561
Long-term receivables	6	898,443	898,443
Receivables from non-exchange transactions	9	195,494,268	141,209,334
VAT receivable	10	17,151,503	18,122,867
Receivables from exchange transactions	11	45,820,952	43,814,870
Cash and cash equivalents	12	82,346,382	83,612,956
		345,105,412	290,201,031
Non-Current Assets			
Investment property	2	235,787,696	236,737,696
Property, plant and equipment	3	998,825,035	988,418,912
Intangible assets	4	266,867	402,715
Heritage assets	5	1,654,952	1,654,952
Long-term receivables	6	7,618,344	8,237,153
		1,244,152,894	1,235,451,428
Total Assets		1,589,258,306	1,525,652,459
Liabilities			
Current Liabilities			
Long-term liabilities	15	6,778,476	6,739,934
Payables from exchange transactions	17	132,672,657	112,236,129
Consumer deposits	18	21,802,186	20,273,631
Employment benefit obligation	7	3,156,000	2,571,000
Unspent conditional grants and receipts	14	31,680,540	14,644,327
Provisions	16	30,331,817	26,714,745
Long service awards benefits liability		1,551,000	1,592,000
		227,972,676	184,771,766
Non-Current Liabilities			
Long-term liabilities	15	28,440,874	34,655,437
Employment benefit obligation	7	87,256,000	69,205,000
Long service awards benefits liability		12,400,000	11,049,000
		128,096,874	114,909,437
Total Liabilities		356,069,550	299,681,203
Net Assets		1,233,188,756	1,225,971,256
Reserves			
Revaluation reserve		9,325,756	8,717,688
Accumulated surplus		1,223,863,000	1,217,253,568
Total Net Assets		1,233,188,756	1,225,971,256

* See Note 42

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	148,845,399	136,038,621
Rental of facilities and equipment		3,036,408	2,673,069
Interest received (trading)		9,624,056	7,670,684
Agency services		4,691,380	4,341,233
Licences and permits		5,223,577	4,896,625
Other income	22	14,275,373	12,972,596
Interest received - investment	23	3,865,392	3,783,405
Total revenue from exchange transactions		189,561,585	172,376,233
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	320,579,124	290,833,326
Property rates - penalties imposed	24	161,854	134,771
Transfer revenue			
Government grants & subsidies	26	217,496,528	198,185,386
Fines, Penalties and Forfeits		108,740,088	29,872,986
Total revenue from non-exchange transactions		646,977,594	519,026,469
Total revenue	19	836,539,179	691,402,702
Expenditure			
Employee related costs	27	(325,030,606)	(289,557,604)
Remuneration of councillors	28	(19,984,455)	(19,370,974)
Depreciation and amortisation	29	(56,835,202)	(57,887,169)
Impairment loss	30	(226,056)	(7,901)
Finance costs	31	(4,252,546)	(5,262,125)
Debt Impairment	32	(65,858,194)	(18,107,162)
Repairs and maintenance		(42,006,382)	(54,308,372)
Bulk purchases	33	(83,931,493)	(71,818,570)
Contracted services	34	(32,072,244)	(28,639,545)
Transfers and Subsidies	25	(5,519,872)	(5,868,248)
General Expenses	35	(194,212,695)	(167,291,762)
Total expenditure		(829,929,745)	(718,119,432)
Operating surplus (deficit)		6,609,434	(26,716,730)
Fair value adjustments	36	-	(10,030,783)
Loss on sale of property, plant and equipment		-	(712,669)
		-	(10,743,452)
Surplus (deficit) for the year		6,609,434	(37,460,182)

* See Note 42

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	394,498,479	878,676,301	1,273,174,780
Adjustments			
Correction of errors	-	(8,109,468)	(8,109,468)
Balance at 01 July 2014 as restated*	394,498,479	870,566,833	1,265,065,312
Changes in net assets			
Transfer to accumulated surplus	(385,780,791)	385,780,791	-
Transfer to(from) reserves	-	(1,633,874)	(1,633,874)
Net income (losses) recognised directly in net assets	(385,780,791)	384,146,917	(1,633,874)
Surplus for the year	-	(37,460,182)	(37,460,182)
Total recognised income and expenses for the year	(385,780,791)	346,686,735	(39,094,056)
Total changes	(385,780,791)	346,686,735	(39,094,056)
Restated* Balance at 01 July 2015	8,717,688	1,217,253,566	1,225,971,254
Changes in net assets			
Surplus for the year	-	6,609,434	6,609,434
Transfers from revaluation reserve	608,068	-	608,068
Total changes	608,068	6,609,434	7,217,502
Balance at 30 June 2016	9,325,756	1,223,863,000	1,233,188,756
Note(s)			

* See Note 42

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		374,970,077	287,748,113
Sale of goods and services		109,736,416	106,123,020
Grants		234,532,741	171,822,824
Interest income		3,865,392	3,783,405
Interest received - outstanding consumer debtors		9,624,056	7,670,684
		732,728,682	577,148,046
Payments			
Employee costs		(325,069,061)	(289,557,607)
Suppliers		(335,008,146)	(261,463,063)
Finance costs		(4,252,546)	(5,262,125)
		(664,329,753)	(556,282,795)
Net cash flows from operating activities	37	68,398,929	20,865,251
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(67,349,959)	(79,800,314)
Proceeds from sale of property, plant and equipment	3	2,291,668	1,651,665
Proceeds from sale of investment property	2	950,000	-
Proceeds from sale of financial assets		618,809	-
Changes in PPE		-	(4,105,175)
Net cash flows from investing activities		(63,489,482)	(82,253,824)
Cash flows from financing activities			
Repayment of long-term liabilities		(6,176,021)	(5,688,893)
Movement in long term liabilities		-	(25,000)
Net cash flows from financing activities		(6,176,021)	(5,713,893)
Net increase/(decrease) in cash and cash equivalents		(1,266,574)	(67,102,466)
Cash and cash equivalents at the beginning of the year		83,612,956	150,715,422
Cash and cash equivalents at the end of the year	12	82,346,382	83,612,956

* See Note 42

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	171,352,222	(1,786,683)	169,565,539	148,845,399	(20,720,140)
Rental of facilities and equipment	3,994,774	(1,396,947)	2,597,827	3,036,408	438,581
Interest received (trading)	5,524,643	(925,000)	4,599,643	9,624,056	5,024,413
Agency services	31,758	14,433	46,191	4,691,380	4,645,189
Licences and permits	11,683,987	(390,000)	11,293,987	5,223,577	(6,070,410)
Other income - (rollup)	86,766,274	(75,039,216)	11,727,058	14,275,373	2,548,315
Interest received - investment	10,760,756	(1,561,000)	9,199,756	3,865,392	(5,334,364)
Total revenue from exchange transactions	290,114,414	(81,084,413)	209,030,001	189,561,585	(19,468,416)

Revenue from non-exchange transactions

Taxation revenue

Property rates	329,285,339	(9,000,000)	320,285,339	320,579,124	293,785
Property rates - penalties imposed	-	153,486	153,486	161,854	8,368

Transfer revenue

Government grants & subsidies	238,282,230	2,041,509	240,323,739	217,496,528	(22,827,211)
Fines, Penalties and Forfeits	6,396,000	2,004,000	8,400,000	108,740,088	100,340,088

Total revenue from non-exchange transactions	573,963,569	(4,801,005)	569,162,564	646,977,594	77,815,030
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Total revenue	864,077,983	(85,885,418)	778,192,565	836,539,179	58,346,614
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Expenditure

Personnel	(316,930,975)	(5,485,263)	(322,416,238)	(325,030,606)	(2,614,368)
Remuneration of councillors	(17,708,373)	(1,955,318)	(19,663,691)	(19,984,455)	(320,764)
Depreciation and amortisation	(55,526,378)	(16,841,353)	(72,367,731)	(56,835,202)	15,532,529
Impairment loss/ Reversal of impairments	-	(4,093,000)	(4,093,000)	(226,056)	3,866,944
Finance costs	(6,997,919)	1,599,870	(5,398,049)	(4,252,546)	1,145,503
Bad debts written off	-	-	-	(65,858,194)	(65,858,194)
Repairs and maintenance	(56,223,639)	4,497,806	(51,725,833)	(42,006,382)	9,719,451
Bulk purchases	(77,421,693)	(9,000,000)	(86,421,693)	(83,931,493)	2,490,200
Contracted Services	(34,692,259)	62,537	(34,629,722)	(32,072,244)	2,557,478
Transfers and Subsidies	(66,100,011)	60,163,000	(5,937,011)	(5,519,872)	417,139
General Expenses	(123,258,903)	(75,449,116)	(198,708,019)	(194,212,695)	4,495,324

Total expenditure	(754,860,150)	(46,500,837)	(801,360,987)	(829,929,745)	(28,568,758)
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Surplus before taxation	109,217,833	(132,386,255)	(23,168,422)	6,609,434	29,777,856
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	109,217,833	(132,386,255)	(23,168,422)	6,609,434	29,777,856
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Reconciliation

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016										
Financial Performance										
Property rates	329,285,339	(9,000,000)	320,285,339	-	-	320,285,339	320,740,978	455,639	100 %	97 %
Service charges	171,352,222	(1,786,683)	169,565,539	-	-	169,565,539	148,845,399	(20,720,140)	88 %	87 %
Investment revenue	5,524,643	(925,000)	4,599,643	-	-	4,599,643	3,865,392	(734,251)	84 %	70 %
Transfers recognised - operational	129,064,000	13,320,000	142,384,000	-	-	142,384,000	138,792,329	(3,591,671)	97 %	108 %
Other own revenue	119,633,549	(76,215,244)	43,418,305	-	-	43,418,305	145,590,882	102,172,577	335 %	122 %
Total revenue (excluding capital transfers and contributions)	754,859,753	(74,606,927)	680,252,826	-	-	680,252,826	757,834,980	77,582,154	111 %	100 %
Employee costs										
Remuneration of councillors	(316,930,975)	(5,485,263)	(322,416,238)	-	-	(322,416,238)	(325,030,606)	(2,614,368)	101 %	103 %
Debt impairment	(17,708,373)	(1,955,318)	(19,663,691)	-	-	(19,663,691)	(19,984,455)	(320,764)	102 %	113 %
Depreciation and asset impairment	(55,526,378)	(4,093,000)	(4,093,000)	-	-	(4,093,000)	(65,858,194)	(61,765,194)	1,609 %	DIV/0 %
Finance charges	(6,997,919)	(1,599,870)	(5,398,049)	-	-	(5,398,049)	(4,252,546)	1,145,503	79 %	61 %
Materials and bulk purchases	(133,645,332)	(4,502,194)	(138,147,526)	-	-	(138,147,526)	(83,931,493)	54,216,033	61 %	63 %
Transfers and grants	(66,100,011)	60,163,000	(5,937,011)	-	-	(5,937,011)	(5,519,872)	417,139	93 %	8 %
Other expenditure	(157,951,162)	(75,386,579)	(233,337,741)	-	-	(233,337,741)	(268,291,321)	(34,953,580)	115 %	170 %
Total expenditure	(754,860,150)	(46,500,837)	(801,360,987)	-	-	(801,360,987)	(829,929,745)	(28,568,758)	104 %	110 %
Surplus/(Deficit)	(397)	(121,107,764)	(121,108,161)	-	-	(121,108,161)	(72,094,765)	49,013,396	60 %	63,159,890 %
Transfers recognised - capital	109,218,230	(11,278,491)	97,939,739	-	-	97,939,739	78,704,199	(19,235,540)	80 %	72 %
Surplus (Deficit) after capital transfers and contributions	109,217,833	(132,386,255)	(23,168,422)	-	-	(23,168,422)	6,609,434	29,777,856	(29)%	6 %
Surplus/(Deficit) for the year	109,217,833	(132,386,255)	(23,168,422)	-	-	(23,168,422)	6,609,434	29,777,856	(29)%	6 %

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome as % of original budget	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	163,336,303	(20,870,984)	142,465,319	-	-	142,465,319	97,128,333		(45,336,986)	68 %	59 %
Sources of capital funds											
Transfers recognised - capital	109,218,230	(11,278,991)	97,939,239	-	-	97,939,239	78,704,199		(19,235,040)	80 %	72 %
Public contributions and donations	54,118,030	(9,591,905)	44,526,125	-	-	44,526,125	18,424,134		(26,101,991)	41 %	34 %
Total sources of capital funds	163,336,260	(20,870,896)	142,465,364	-	-	142,465,364	97,128,333		(45,337,031)	68 %	59 %

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and buildings		
• Dwellings		10-30 years
• Non-residential dwellings		10-30 years
Infrastructure		
• Roads and paving		5-30 years
• Electricity		10-30 years
• Solid waste and disposal		10-30 years
Community assets		
• Recreational facilities		20-30 years
• Buildings and other structures		20-30 years
• Improvements		20-30 years

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

Other assets

• Bins and containers	5-10 years
• Computers and office equipment	4-5 years
• Furnitures and fittings	5-10 years
• General motor vehicles	4-5 years
• Specialised motor vehicles	15-20 years
• Plant and machinery	1-15 years
• Security measures	4-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years
Servitudes	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of financial assets

Receivables from exchange transactions
Receivables from non-exchange transactions
Bank, cash and cash equivalents: Call deposits
Bank, cash and cash equivalents: Bank
Bank, cash and cash equivalents: Cash
Short-term portion of long term debtors
Long-term debtors

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset at fair value
Financial asset at fair value
Financial asset at fair value
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Types of financial liabilities

Long-term liabilities
Payables from exchange transactions
Payables from non-exchange transactions
Current portion of long-term liabilities

Classification in terms of GRAP 104

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Financial instruments (continued)

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Inventories (continued)

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Provisions and contingencies (continued)

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The municipality must will disclose both Approved and Contracted For Commitments and Approved and Not Contracted Commitments

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.25 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.29 New GRAP standards approved and not yet effective

GRAP 20: Related Party Disclosure

GRAP 32: Service Concession Arrangements: Grantor

GRAP 108: Statutory Receivables

GRAP 109: Accounting by Principles and Agents

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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2. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	235,787,696	-	235,787,696	236,737,696	-	236,737,696

Reconciliation of investment property - 2016

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	236,737,696	(950,000)	-	235,787,696

Reconciliation of investment property - 2015

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	246,768,478	-	(10,030,782)	236,737,696

Pledged as security

No investment property has been pledged as security for any financial liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Investment property which comprises land and building are stated at fair value, which has been determined based on the valuations by E- Evaluations as at 30 June 2015 an industry specialist in valuing these types of properties. Messrs E-Evaluations is the member of the Institute of Valuers, and they have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The valuations, which conform to the International Valuation Standards, was arrived at by reference to market evidence of transactions prices for similar properties.

Messrs E-Evaluations is not related to the municipality.

Rental revenue from investment property	7,670,684	7,670,684
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Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	28,767,332	-	28,767,332	28,767,332	-	28,767,332
Buildings	256,786,800	(96,118,477)	160,668,323	246,530,763	(88,043,244)	158,487,519
Infrastructure	1,512,565,300	(791,047,683)	721,517,617	1,492,495,808	(750,270,209)	742,225,599
Other property, plant and equipment	112,738,118	(80,721,003)	32,017,115	109,404,451	(72,710,508)	36,693,943
Work in progress	55,854,648	-	55,854,648	22,244,519	-	22,244,519
Total	1,966,712,198	(967,887,163)	998,825,035	1,899,442,873	(911,023,961)	988,418,912

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	28,767,332	-	-	-	-	-	28,767,332
Buildings	158,487,519	10,256,038	-	-	(8,075,234)	-	160,668,323
Infrastructure	742,225,599	20,069,491	-	-	(40,777,473)	-	721,517,617
Other property, plant and equipment	36,693,943	3,414,301	(18,426)	-	(7,881,343)	(191,360)	32,017,115
Work in progress	22,244,519	63,388,503	-	(29,778,374)	-	-	55,854,648
Total	988,418,912	97,128,333	(18,426)	(29,778,374)	(56,734,050)	(191,360)	998,825,035

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	28,767,332	-	-	-	-	-	28,767,332
Buildings	144,724,413	21,625,403	-	-	(7,862,297)	-	158,487,519
Infrastructure	731,094,714	50,949,392	(1,432)	-	(39,817,075)	-	742,225,599
Other property, plant and equipment	41,525,526	7,231,880	(1,650,233)	-	(9,983,957)	(429,273)	36,693,943
Work in progress	23,321,972	71,497,342	-	(72,574,795)	-	-	22,244,519
Total	969,433,957	151,304,017	(1,651,665)	(72,574,795)	(57,663,329)	(429,273)	988,418,912

Pledged as security

No property, plant and equipment was placed as security for financial liabilities.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Other intangible assets	1,806,505	(1,539,638)	266,867	1,806,505	(1,403,790)	402,715

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Impairment loss	Total
Other intangible assets	402,715	(101,152)	(34,696)	266,867

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Impairment loss	Total
Other intangible assets	540,653	(137,938)	-	402,715

Restricted title

Computer Software are issued under licence and are restricted to the conditions under which each licence are issued

Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of Intangible Assets have been re-assessed and there are changes from previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets 's useful lives.

Impairment of Intangible Assets

There was an impairment losses of R34 696 (2015: Rnil).

5. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94) National Monuments	1,657,452	(2,500)	1,654,952	1,657,452	(2,500)	1,654,952

Reconciliation of heritage assets 2016

	Opening balance	Impairment losses recognised	Total
Heritage assets which fair values cannot be reliably measured: (Para .94) National Monuments	1,654,952	-	1,654,952

Reconciliation of heritage assets 2015

	Opening balance	Impairment losses recognised	Total
Heritage assets which fair values cannot be reliably measured: (Para .94) National Monuments	1,657,452	(2,500)	1,654,952

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
5. Heritage assets (continued)		
Pledged as security		
No Heritage Assets have been pledged as security for financial liabilities		
6. Long-term receivables		
At amortised cost		
Ugu District Municipality	8,516,787	9,135,596
This amount owed by Ugu District Municipality represents the amount paid by Hibiscus Coast Municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The installment varies and paid in December and June each year.		
Non-current assets		
At amortised cost	7,618,344	8,237,153
Current assets		
At amortised cost	898,443	898,443

7. Employee benefit obligations

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

Post retirement benefit plan

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Balance at beginning of year	(71,776,000)	(61,518,000)
Current service costs	(3,541,000)	(2,155,000)
Interest costs	(5,667,000)	(5,482,000)
Subsidies paid	2,571,000	2,640,000
Actuarial (gain)/loss recognised	(11,999,000)	(5,261,000)
	(90,412,000)	(71,776,000)
Non-current liabilities	(87,256,000)	(69,205,000)
Current liabilities	(3,156,000)	(2,571,000)
	(90,412,000)	(71,776,000)

The municipality provides certain post-retirement health care benefits liability by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out at 30 June 2015 by One Pangae Financial, Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post employment health care benefits plan are made up as follows:

In service members (Employees)	549	517
Continuation members (retirees, widowers and orphans)	90	90
	639	607

The liabilities in respect of past service have been estimated as follows (R mill)

In service members	45,673,000	36,882,000
Continuation members	44,739,000	34,894,000
	90,412,000	71,776,000

The principal assumptions used for the purpose of actuarial valuations were as follows:

Health care cost inflation rate	8.96 %	7.02 %
Discounting Rates	9.81 %	8.04 %
Medical Aid Inflation rate	8.96 %	7.02 %
Expected Retirement age	6	6
Net Effective discount rate	0.78 %	0.10 %
	-	-

Net expense recognised in the statement of financial performance

Current service cost	3,541,000	2,155,000
Interest cost	5,667,000	5,482,000
Actuarial (gains) losses	11,999,000	5,261,000
	21,207,000	12,898,000

Calculation of actuarial gains and losses

Changes in the fair value of plan assets are as follows:

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
The basis used to determine the overall expected rate of return on assets is as follow: [provide details]		
The effect of the major categories of plan assets is as follow: [state effect]		
Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]		
The basis on which the discount rate has been determined is as follow: [state basis]		
The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:		
Actual returns		
Other assumptions		
Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:		
The history of experienced adjustments is as follows:		
	2016	2015
	R	R
Present value of defined benefit obligation	90,412,000	71,776,000
Experience adjustments on plan liabilities	5,667,000	5,482,000
	2014	2013
	R	R
	61,518,000	52,495,000
	5,309,000	3,922,000
	2012	
	R	
	44,601,000	
	4,854,000	

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Employee benefit obligations (continued)		
Defined benefit plan		
Long service awards and retirement gifts liability		
Balance at the beginning of the year	12,641,000	15,922,000
Interest Costs	1,098,000	1,273,000
Current service cost	999,000	1,608,000
Benefits paid	(1,592,000)	(1,617,000)
Actuarial gain/(loss) recognised	805,000	(4,545,000)
Subtotal	13,951,000	12,641,000
Expected payment	(1,551,000)	(1,592,000)
	12,400,000	11,049,000

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 By One Pangae Financial ,Fellow of the Actuarial Society of South Africa .The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The employees eligible for long services awards are made up as follows:

Male	661	634
Female	463	445
	1,124	1,079

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Discount rate	10 %	8 %
General Salary Inflation(Long term)	7 %	7 %
Net Effective Discount Rate	1 %	1 %
Expected Retirement Age	6	6

The amount recognised in statement of financial position are as follows:

Present value of unfunded obligations	13,933,00	12,641,00
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The amount recognised in the Statement of Financial Position are as follows:

Current Service costs	1,098,000	1,608,000
Interest cost	999,000	1,273,000
Actuarial losses/(gains)	805,000	(4,545,000)
	2,902,000	(1,664,000)

Movement in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	12,641,000	15,922,000
Current cost	1,098,000	1,608,000
Interest cost	999,000	1,273,000
Benefit paid	(1,592,000)	(1,617,000)
Actuarial losses/(gain)	805,000	(4,545,000)
	13,951,000	12,641,000

Other defined contribution plan

8. Inventories

Maintenance materials	3,369,472	2,518,169
Housing selling units	24,392	24,392
	3,393,864	2,542,561

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
9. Receivables from non-exchange transactions		
Traffic fines	193,727,049	98,200,435
Less: Impairment loss on traffic fines	(105,761,911)	(43,145,104)
Other receivables from non-exchange revenue	19,122,726	6,143,676
Consumer debtors - Rates	88,406,404	80,010,327
	195,494,268	141,209,334
10. VAT receivable		
VAT	17,151,503	18,122,867
11. Receivables from exchange transactions		
Gross balances		
Electricity	12,889,233	12,239,488
Refuse	15,552,452	13,894,578
Other receivables	12,310,295	12,455,861
Penalties	3,537,299	3,787,791
Legal fees	4,567,434	4,730,068
Interest	26,426,112	22,927,569
	75,282,825	70,035,355
Less: Allowance for impairment		
Electricity	(5,238,131)	(6,098,004)
Refuse	(6,320,452)	(6,755,542)
Business service levies	(3,870,098)	(3,832,086)
Other receivables	(1,437,544)	(2,014,432)
Housing rental	(1,856,186)	(2,754,434)
Other (specify)	(10,739,462)	(4,765,987)
	(29,461,873)	(26,220,485)
Net balance		
Electricity	7,651,102	6,141,484
Refuse	9,232,000	7,139,036
Other debtors	8,440,197	8,623,775
Penalties	2,099,755	1,773,359
Legal fees	2,711,248	1,975,634
Interest	15,686,650	18,161,582
	45,820,952	43,814,870
Included in above is receivables from exchange transactions		
Electricity	7,651,102	8,272,947
Water	15,686,651	22,927,569
Waste water	2,099,755	3,787,791
Sewerage	2,711,248	4,730,068
Refuse	9,232,000	13,894,578
Business service levies	5,652,879	13,321,476
	43,033,635	66,934,429
Net balance	43,033,635	66,934,429
Electricity		
Current (0 -30 days)	3,294,746	5,138,866
31 - 60 days	2,166,683	86,588
61 - 90 days	250,598	59,072
91 - 120 days	151,591	50,380
121 - 365 days	1,787,484	806,578
	7,651,102	6,141,484

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
11. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	32,916	-
31 - 60 days	2,696	463,630
61 - 90 days	969,581	380,988
91 - 120 days	1,073,520	335,442
121 - 365 days	7,153,287	5,958,976
	9,232,000	7,139,036
Other debtors		
Current (0 -30 days)	1,423,964	1,454,936
31 - 60 days	192,382	196,566
61 - 90 days	312,249	319,040
91 - 120 days	147,069	150,268
121 - 365 days	6,364,533	6,502,965
	8,440,197	8,623,775
Penalties		
121 - 365 days	326,396	1,773,359
> 365 days	1,773,359	-
	2,099,755	1,773,359
Legal fees		
Current (0 -30 days)	110,822	55,140
31 - 60 days	76,636	34,900
61 - 90 days	154,249	10,578
91 - 120 days	3,411	80
1874936	2,366,130	1,874,936
	2,711,248	1,975,634
Interest		
Current (0 -30 days)	893,724	1,224,361
31 - 60 days	869,871	587,815
61 - 90 days	833,376	573,789
91 - 120 days	797,234	535,105
121 - 365 days	12,292,445	15,240,512
	15,686,650	18,161,582
Reconciliation of allowance for impairment		
Balance at beginning of the year	(26,220,485)	(24,089,023)
Contributions to allowance	(3,241,388)	(3,357,927)
Debt impairment written off against allowance	-	1,226,465
	(29,461,873)	(26,220,485)
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	32,201	70,445
Bank balances	18,187,205	5,385,004
Short-term deposits	64,126,976	78,157,507
	82,346,382	83,612,956

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
1020541857(Nedbank primary bank a/c)	79,866	6,369,473	1,616,313	79,866	3,545,438	1,616,313
91-4947-5623 ABSA (Louisiana Housing)	8,364,804	8,331,054	8,500,470	8,364,804	8,331,054	8,500,470
91-4947-4529 ABSA (Nzimakwe Housing)	538,686	536,204	535,852	538,686	536,204	535,852
91-4947-4927 ABSA(Nzimakwe Housing2)	894,335	890,199	889,608	894,335	890,199	889,608
91-4947-5509 ABSA (Bhobhoyi Housing)	283,996	289,800	211,149	283,996	289,800	211,149
91-4947-5753 ABSA (Bhobhoyi Housing 1)	13,033	12,972	12,947	13,033	12,972	12,947
91-4947-5208 ABSA (Damaged Housing)	69,551	70,618	112,141	69,551	70,618	112,141
91-4940-1627 ABSA (Uplands Housing)	69,484	69,162	69,117	69,484	69,162	69,117
91-4940-1164 ABSA (Mkholombe Housing)	33,361	33,206	33,185	33,361	33,206	33,185
1400-190309-500(Investec Call Account)	-	-	24,226,962	-	-	24,226,962
91-5277-5491 ABSA (Aids Project)	125,905	125,321	125,241	125,905	125,241	125,241
89140-356988 STD Bank (Masinenge Housing)	18,085,746	9,567,650	3,361,532	18,085,746	9,567,650	3,361,532
89139-356986 STD Bank (KwaMavundla Housing)	212,125	211,018	209,615	212,125	211,018	209,615
89141-356989 STD Bank (Kwaxolo Housing)	10,073,591	10,018,829	9,870,224	10,073,591	10,018,829	9,870,224
90439-364623 STD Bank (KwaNdwalane Housing)	456,422	454,130	454,444	456,422	454,130	454,444
1400-190309-500 Investec (MHOA)	7,886,680	6,016,250	-	7,886,680	6,016,250	-
89111-356985 STD Bank (CCDC)	13,656,600	20,283,096	52,743,172	13,656,600	20,283,096	52,743,172
89111-357732 STD Bank	2,795,945	294,431	3,217,041	2,795,945	294,431	3,217,041
89111-360253 STD Bank	566,712	57,137	54,238	566,712	57,137	54,238
7881000791 Nedbank(Primary bank account)	18,107,337	20,896,430	36,500,028	18,107,339	20,896,430	36,500,028
Total	82,314,179	84,526,980	142,743,279	82,314,181	81,702,865	142,743,279

13. Housing development fund

Unappropriate surplus	24,392	24,392
Loans extinguished by Government on 1 April 1998	6,016,209	6,016,209
	6,040,601	6,040,601

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Department of Energy	3,680,948	5,300,804
Gross Amount Due to Department of Housing	13,692,457	-
National Dept of Treasury (Municipal Infrastructure Grant)	14,307,135	9,343,523
	31,680,540	14,644,327

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
14. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	14,644,327	8,089,099
Additions during the year	78,307,457	88,039,550
Income recognition during the year	(61,271,244)	(81,484,322)
	31,680,540	14,644,327

Refer to government grants revenue note for the details of conditions not yet met and reconciliation of opening to closing balance of unspent portion.

These amounts are invested in a ring-fenced investment until utilised.

15. Long-term liabilities

At amortised cost		
Standard Bank of South Africa Structured unsecured 20 year loan.Repayable semi-annually in October and April in fixed instalments of capital and interest of 11.56 %.	32,893,778	37,564,437
Development Bank of Southern Africa Structured unsecured loans taken over from local municipalities as a result of change of powers and functions. The loan is repaid semi-annually in December and June at various interest rates.The loans are repayable over the period between 10 to 20 years	2,325,572	3,830,934
	35,219,350	41,395,371
Total other financial liabilities	35,219,350	41,395,371
Non-current liabilities		
At amortised cost	28,440,874	34,655,437
Current liabilities		
At amortised cost	6,778,476	6,739,934

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Landfill site rehabilitation	26,714,745	3,617,072	30,331,817

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Landfill site rehabilitation	23,007,936	3,706,809	26,714,745

The best estimate for the landfill site rehabilitation, as determined by TGC Engineers, has been based on the present value of the future expected cash flows required to settle the obligation at the reporting date.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. Payables from exchange transactions		
Trade payables	48,607,993	9,330,218
Payments received in advanced - contract in process	-	30,432,283
Retention	13,238,810	15,649,639
Southbroom UIP	500,558	344,235
Accrued leave pay	19,014,457	18,133,876
Accruals	1,371,195	10,119,966
Overtime and other employee related costs accruals	-	1,260,272
Outstanding payments at year end	30,058,110	12,123,643
Other payables	19,847,732	14,601,064
Operating lease liability	33,802	240,933
	132,672,657	112,236,129

18. Consumer deposits		
Electricity	6,364,709	5,776,189
Verges and others	15,437,477	14,497,442
	21,802,186	20,273,631

19. Revenue		
Service charges	148,845,399	136,038,621
Rental of facilities and equipment	3,036,408	2,673,069
Interest received (trading)	9,624,056	7,670,684
Agency services	4,691,380	4,341,233
Licences and permits	5,223,577	4,896,625
Other income - (rollup)	14,275,373	12,972,596
Interest received - investment	3,865,392	3,783,405
Property rates	320,579,124	290,833,326
Property rates - penalties imposed	161,854	134,771
Government grants & subsidies	217,496,528	198,185,386
Fines, Penalties and Forfeits	108,740,088	29,872,986
	836,539,179	691,402,702

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	148,845,399	136,038,621
Rental of facilities and equipment	3,036,408	2,673,069
Interest received (trading)	9,624,056	7,670,684
Agency services	4,691,380	4,341,233
Licences and permits	5,223,577	4,896,625
Other income - (rollup)	14,275,373	12,972,596
Interest received - investment	3,865,392	3,783,405
	189,561,585	172,376,233

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	320,579,124	290,833,326
Property rates - penalties imposed	161,854	134,771
Transfer revenue		
Government grants & subsidies	217,496,528	198,185,386
Fines, Penalties and Forfeits	108,740,088	29,872,986
	646,977,594	519,026,469

20. Service charges		
Sale of electricity	106,593,620	97,045,535
Refuse removal	42,251,779	38,993,086
	148,845,399	136,038,621

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
21. Other revenue		
Other income - (rollup)	14,275,373	12,972,596
22. Other income		
Margate airport income	3,922,708	4,366,177
Town planning related revenue	3,503,434	4,013,969
Bad debts recovered	-	37,811
Miscellaneous income	6,849,231	4,554,639
	14,275,373	12,972,596
23. Investment revenue		
Interest revenue		
Bank	3,865,392	3,783,405
24. Property rates		
Rates received		
Residential	253,993,704	236,408,832
Commercial	48,272,164	45,037,359
State	582,597	541,684
Municipal	38,232,575	39,155,968
Small holdings and farms	10,043,984	9,244,461
Institutional	4,311,775	4,425,516
Mining	129,945	121,442
Special purpose	270,932	254,297
Agricultural	1,156,800	1,070,007
Less: Income forgone	(36,415,352)	(45,426,240)
	320,579,124	290,833,326
Property rates - penalties imposed	161,854	134,771
	320,740,978	290,968,097
Valuations		
Residential	27,423,902,750	27,318,918,250
Commercial	2,528,852,000	2,478,955,000
	29,952,754,750	29,797,873,250
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Interim valuations are performed on a quarterly basis to take into account changes in individual property values due to alterations. New valuation of land and buildings will be done in 2016..		
25. Grants and subsidies paid		
Other subsidies		
Ex Grantia Pensions	17,947	18,180
Ex-Mobile Librarian	280,890	180,000
Grants and donations	817,174	1,858,196
Hibiscus development	1,600,000	1,600,000
Ibeach Explosion	442,704	442,823
Public Libraries	427,717	169,049
Ugu Tourism	1,933,440	1,600,000
	5,519,872	5,868,248

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies		
Operating grants		
Equitable share	118,198,000	99,543,000
Other Grants	7,737,000	-
Finance Management Grant (FMG)	1,627,704	1,600,000
Municipal Systems Improvement Grant (MSIG)	930,000	934,000
KZN Co-operative Governance and Traditional Affairs	-	11,300,000
KZN Dept of Arts and Culture (Museums)	317,000	302,000
Integrated National Electrification Programme	381,152	1,635,686
KZN Dept of Arts and Culture (Libraries)	7,646,000	7,111,000
Expanded Public Works Programme (EPWP)	1,000,000	1,047,462
KZN Dept of Sports and Recreation	-	1,575,000
KZN Dept of Transport (Intermodal Facility)	-	10,000,000
Local Government SETA	955,473	241,550
	138,792,329	135,289,698
Capital grants		
MIG Grant	41,758,387	45,173,625
Contract Revenue	36,945,812	17,722,063
	78,704,199	62,895,688
	217,496,528	198,185,386
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.		
Integrated National Electrification Programme		
Balance unspent at beginning of year	5,300,804	899,951
Current-year receipts	3,000,000	6,000,000
Conditions met - transferred to revenue	(381,152)	(1,635,686)
Other	(4,238,704)	36,539
	3,680,948	5,300,804
Other Grant		
Current-year receipts	7,377,000	-
Conditions met - transferred to revenue	(7,377,000)	-
	-	-
Revenue from Contract - Housing Fund		
Balance unspent at beginning of year	-	17,495,707
Current-year receipts	50,638,269	19,297,063
Conditions met - transferred to revenue	(36,945,812)	(36,792,770)
	13,692,457	-
Municipal Systems Improvement Grant		
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-
KZN Department of Arts and Culture (Museum)		
Current-year receipts	317,000	302,000
Conditions met - transferred to revenue	(317,000)	(302,000)

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies (continued)		
	-	-
KZN Department of Arts and Culture (Libraries)		
Current-year receipts	7,646,000	7,111,000
Conditions met - transferred to revenue	(7,646,000)	(7,111,000)
	-	-
Expended Public Work Programme (EPWP)		
Current-year receipts	1,000,000	1,084,000
Conditions met - transferred to revenue	(1,000,000)	(1,084,000)
	-	-
KZN Dept of Sports and Recreation		
Current-year receipts	-	1,575,000
Conditions met - transferred to revenue	-	(1,575,000)
	-	-
KZN Dept of Transport (Intermodal Facility)		
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	-	(10,000,000)
	-	-
Municipal Infrastructure Grant		
Balance unspent at beginning of year	9,343,523	6,625,148
Current-year receipts	50,122,000	47,892,000
Conditions met - transferred to revenue	(41,758,388)	(45,173,625)
Other	(3,400,000)	-
	14,307,135	9,343,523
KZN COGTA (Urban Renewal and Afrika Bike Week)		
Current-year receipts	-	11,300,000
Conditions met - transferred to revenue	-	(11,300,000)
	-	-
Local Government SETA		
Current-year receipts	-	241,550
Conditions met - transferred to revenue	-	(241,550)
	-	-
Finance Management Grant (FMG)		
Current-year receipts	1,627,704	1,600,000
Conditions met - transferred to revenue	(1,627,704)	(1,600,000)
	-	-

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
27. Employee related costs		
Basic	182,138,285	170,700,282
Bonus	14,770,821	14,054,193
Medical aid, pension fund and UIF	51,941,358	43,775,235
Defined benefit plans	19,946,000	11,234,000
Travel, motor car, accommodation, subsistence and other allowances	14,448,391	13,465,977
Overtime payments	12,944,760	13,372,903
Housing benefits and allowances	2,896,864	1,221,386
Other employee related costs	18,080,459	14,612,017
	317,166,938	282,435,993
Remuneration of municipal manager		
Annual Remuneration	300,000	444,000
Car, Housing and Travel Allowance	692,875	627,549
Performance Bonuses	161,919	120,259
Contributions to UIF, Medical and Pension Funds	186,821	84,726
	1,341,615	1,276,534
Remuneration of chief finance officer		
Annual Remuneration	678,822	360,220
Car, Housing and Travel Allowance	390,882	279,093
Performance Bonuses	-	159,615
Contributions to UIF, Medical and Pension Funds	26,629	63,952
	1,096,333	862,880
Remuneration of human settlement and infrastructure		
Annual Remuneration	300,000	225,000
Car, Housing and Travel Allowance	562,577	396,295
Performance Bonuses	45,486	40,804
Contributions to UIF, Medical and Pension Funds	42,822	-
	950,885	662,099
Remuneration of corporate services		
Annual Remuneration	300,000	444,000
Car, Housing and Travel Allowance	491,559	435,918
Performance Bonuses	117,258	62,348
Contributions to UIF, Medical and Pension Funds	229,566	119,849
	1,138,383	1,062,115
Rumeration of planning and economic developemnt		
Annual Remuneration	300,000	356,880
Car, Housing and Travel Allowance	522,806	499,214
Performance Bonuses	109,446	65,626
Contributions to UIF, Medical and Pension Funds	187,093	165,895
	1,119,345	1,087,615
Strategic planning and governance		
Annual Remuneration	1,009,897	444,000
Car, Housing and Travel Allowance	-	467,312
Performance Bonuses	109,447	127,848
Contributions to UIF, Medical and Pension Funds	5,623	82,055
	1,124,967	1,121,215

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
27. Employee related costs (continued)		
Remuneration of community services		
Annual Remuneration	420,000	420,000
Car Allowance	477,260	437,029
Performance Bonuses	100,209	73,829
Contributions to UIF, Medical and Pension Funds	94,671	118,295
	1,092,140	1,049,153
28. Remuneration of councillors		
Councillors	19,984,455	19,370,974
29. Depreciation and amortisation		
Property, plant and equipment	56,835,202	57,887,169
30. Impairment of assets		
Impairments		
Property, plant and equipment	226,056	7,901
[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]		
31. Finance costs		
Current borrowings	4,252,546	5,262,125
32. Debt impairment		
Allowances for credit losses	65,858,194	18,107,162
33. Bulk purchases		
Electricity	83,931,493	71,818,570
34. Contracted services		
Security and waste management	7,412,441	7,589,308
Lifeguarding services	8,813,668	7,781,802
Verge cutting	9,296,397	7,826,800
Shark meshing fees	6,549,738	5,248,795
Other contracted services	-	192,840
	32,072,244	28,639,545

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. General expenses		
Advertising	756,541	936,152
Airport expenses	2,107,593	3,067,453
Auditors remuneration	2,353,387	2,922,523
Bad debts written-off	2,322,042	1
Bank charges	421,349	519,710
Chemicals	10,791,629	5,513,499
Clearing charges	796,665	546,464
Conference fees	260,781	312,094
Consulting and professional fees	5,367,153	5,677,450
Consumables	1,833,527	2,011,695
Contracting service costs - Housing Fund	26,275,542	25,791,370
Donations	-	2,046,094
EPWP expenditure	1,000,000	987,168
Electricity	9,081,767	8,566,638
Chemicals	913,229	326,210
Fines and penalties	9,014,107	6,157,772
Fire equipment	1,510,142	1,038,848
Food	1,730,612	1,684,203
Free basic services	2,452,771	2,001,255
Fuel and oil	1,280,962	1,821,609
Functions and events	7,861,207	4,829,540
Hire	3,446,938	3,079,002
IT expenses	136,875	215,624
Indigent support	1,404,337	1,217,946
Insurance	1,609,308	1,638,604
Intermodal facility	8,963,518	6,879,998
Landfill site rehabilitation	3,617,078	3,706,809
Licences	2,264,463	1,952,238
Magazines, books and periodicals	330,129	344,083
Operating lease expenses	16,216,171	9,381,745
Assets verification costs	782,963	150,000
PMU expenditure	1,314,297	1,926,461
Postage	1,024,605	889,673
Postage and courier	286,037	456,277
Potholes internal	12,350,635	14,702,595
Printing and stationery	2,004,847	2,286,434
Promotions	420,776	429,288
Protective clothing	3,303,282	2,977,623
Refuse	6,706,742	4,505,573
Roadshows	957,506	789,668
Waste and sanitation	573,725	272,479
Security (Guarding of municipal property)	7,225,130	5,388,809
Staff welfare	486,364	416,664
Stormwater drainage	3,028,435	3,161,198
Subscriptions and membership fees	3,599,767	2,719,010
Telephone and fax	7,607,706	5,789,585
Pool	255,054	196,100
Training	5,355,263	3,232,220
Beach expenses	239,991	1,838,082
Travel - local	204,549	164,596
Valuation fees	3,271,638	2,163,698
Ward secretary allowances	1,503,750	1,555,920
Water	4,243,893	4,727,540
Youth empowerment	1,345,917	1,378,472
	194,212,695	167,291,762
36. Fair value adjustments		
Investment property (Fair value model)	-	(10,030,783)

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
37. Cash generated from operations		
Surplus (deficit)	6,609,434	(37,460,182)
Adjustments for:		
Depreciation and amortisation	56,835,202	57,887,169
Gain on sale of assets and liabilities	-	712,669
Fair value adjustments	-	10,030,783
Impairment deficit	226,056	437,174
Debt impairment	65,858,194	18,107,162
Movements in retirement benefit assets and liabilities	18,636,000	10,258,000
Movements in provisions	3,617,072	3,708,809
Prior period adjustment	-	(8,215,797)
Other non-cash items	(355,175)	-
Changes in working capital:		
Inventories	(851,303)	594,941
Consumer debtors	(67,864,276)	(4,577,649)
Other receivables from non-exchange transactions	(54,284,934)	(22,750,956)
Payables from exchange transactions	20,436,527	(4,321,296)
VAT	971,364	(11,043,553)
Unspent conditional grants and receipts	17,036,213	6,555,228
Consumer deposits	1,528,555	944,749
	68,398,929	20,865,251

38. Contract Revenue and Cost

The municipality received gross revenue of R 50 638 269 from the Department of Human Settlement to construct houses. The revenue recognised is calculated based on the stage of completion as per GRAP 11. The gross costs incurred were R 36 945 812 and were recognised as gross revenue in the current year. The amount recognised as gross revenue represents 73% of the total revenue received. Gross amount due to the Department of Human Settlement is R 13 692 457. There is no deficit/surplus recognised in the current year since the amount recognised in revenue is equal to the expenditure amount.

Contract Revenue and Cost		
Contract Revenue Received	50,638,269	19,297,063
Contract Revenue Recognised	(36,945,812)	(36,792,770)
Gross Amount Due Department of Housing	-	17,495,707
	13,692,457	-

39. Commitments

Authorised capital expenditure

Capital commitments		
• Approved and contracted for	132,661,289	159,608,574
• Approved but not contracted for	2,501,225	5,704,592
	135,162,514	165,313,166

Total capital commitments		
Capital commitments	135,162,514	165,313,166

Total commitments

Total commitments		
Authorised capital expenditure	135,162,514	165,313,166

This committed expenditure relates to property and will be financed by available retained surpluses, existing cash resources, funds internally generated and government grants, etc.

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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40. Contingencies

1. Eviction action/Land related claim

The appeal was heard on the 6th of May in Bloemfontein whereupon Adv Goddard SC appeared on behalf of the municipality and argued the matter. The Court found in favour of the respondent. It would appear that the matter will be referred to the supreme court of appeal whereat it is hoped that the court will find in favour of the municipality. Amount R6 045 000

2. Prohibitory Interdict: There has been an objection against the award of the tender to MJ Light & Heavy Duty Repairs and the outcome of the appeal heard by the Appeal Tribunal was that HCM was ordered to cancel the contract and re-advertise the tender. MJ Light & Heavy Duty Repairs has filed a prohibitory interdict against the re-advertisement of the tender. The application for leave to appeal by the applicant in this matter (MJ Light and Heavy Duty Repairs) was heard by the High Court on the 19th instant, whereupon the application was refused on the basis that there are prospects of another Court coming to a different conclusion than that of the sitting Judge in the current application. The applicant was thus ordered to pay cost of the application. We are currently processing the taxed bill received from plaintiff's attorneys.

3. Eviction action of tenants who built permanent structures on the admiralty reserve (Pont Caravan Park – Port Edward)
The matter has been set down for trial as from the 19 to 21 October 2016.

4. HCM received a summons from Petrus Cornelius Blackie being a claim for damages to the tune of R 2 775 409.70 allegedly based on loss of income/ rental at the instance of the termination of a contract for the provision of Lazy Shades Umbrellas on Margate beach.

Claim of loss of income (contract). We have entered an appearance to defend and forwarded a matter to our insurers whilst issuing an instruction to an external legal service provider to defend the matter on behalf of council. Instructed Seethal Attorneys in this regard. We are now awaiting a trial date in this matter R2 778 409.

5. Alleged unlawful alienation of property belonging to one Mr TR Audan and consequent claim for relief. Claim: R3 774 243.30.
The matter is under consideration.

6. Legal claims for damages based on alleged defamation of character inter alia: Councillor PT Naude had been charged by the Ethics Committee of the municipality for failure to declare interest in a company which his wife was a shareholder. Claim is for R 1 317 325

7. The defendant filed a counter claim for an amount of R 63 242.

41. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note

Ultimate controlling entity

Refer to remuneration of councillors note

Related party transactions

Interest paid to (received from) related parties

Councillors	148,186	133,065
Senior management	50,010	24,862

Outstanding amount of service charges from related parties

Councillors	51,823	31,463
Senior management	8,320	6,539

Compensation to accounting officer and other key management

Accounting officer and key management personnel	8,148,542	7,121,611
Councillors	19,984,455	19,370,974

42. Prior period errors

The correction of errors is as a result of elimination of duplicated outstanding payments and community assets.

The correction of the errors result in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	(4,370,732)
Cash and cash equivalents	-	(8,215,800)
Provision for Landfill Site	-	3,740,064
Investment Properties	-	737,000
Opening Accumulated Surplus or Deficit	-	8,109,468

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Directorate :Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures . These risks includes interest rate risk, credit risk and liquidity . Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk ,reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	102,204,035	-	-	-	102,204,035
Other financial liabilities	6,739,934	6,739,934	20,219,802	2,480,605	36,180,275
	108,943,969	6,739,934	20,219,802	2,480,605	138,384,310

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	106,897,449	-	-	-	106,897,449
Other financial liabilities	6,373,764	6,904,096	22,848,900	10,957,496	47,084,256
	113,271,213	6,904,096	22,848,900	10,957,496	153,981,705

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

43. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Receivables from non-exchange transactions	21,215,792	61,199,008
Receivables from exchange transactions	134,681,427	125,956,659
Long-term debtors	898,443	9,135,596
Cash, bank and cash equivalents	72,784,084	91,828,756

44. Going concern

The management considered the following matters relating to the Going Concern:

(i) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash -backing status before it is ultimately approved by Council.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting , highlighting the actual cash position , including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy rates, tariffs and charges , this will results in an ongoing inflow of revenue to support the ongoing delivery of municipal services . Certain key financial ratios , such as liquidity , cost coverage , debtor's collection and creditor's payment terms are closely monitored and necessary corrective actions instituted.

Taking the aforementioned into account , management has prepared the Annual Financial Statements on the Going Concern Basis.

45. Events after the reporting date

The Hibiscus Coast Municipality merged with Ezingoleni Municipality after the local government elections to form Ray Nkonyeni Municipality. This arose due to a redetermination of boundaries in terms of section 21 of the Local Government: Municipal Demarcation Act of South Africa, 1998 (Act No. 27 of 1998). Consequently, Hibiscus Coast Municipality ceased to exist from 9 August 2016.

46. Unauthorised expenditure

Unauthorised expenditure - Strategic Planning and Governance Corporate Services	16,245,760	-
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The Unauthorised Expenditure incurred was a result of non cash flow items. There was a significant increase on the traffic fines in the current year that resulted in an increase in the Impairment provision. The fines impairment provision amounted to R R 62m for the current year resulting in Unauthorised Expenditure for the current year.

47. Irregular expenditure

Opening balance	964,655	1,229,757
Add: Irregular Expenditure - current year	1,113,185	964,655
Less: Amounts condoned	(964,655)	(1,229,757)
	1,113,185	964,655

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

47. Irregular expenditure (continued)

Details of irregular expenditure – current year

Expired contracts that the municipality was continuing to use without renewing them.	230,514	
Prohibited supplier was awarded tender by the municipality	30,000	
Preferential points calculated incorrectly by the municipality	852,671	
		1,113,185

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	3,094,455	2,660,446
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Electricity losses

Amount paid - current year	9,903,711	6,295,019
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The electricity losses in units is 11 019 327 (2015: 8 516 899) and cost per is R0,90 (2015: R0,74). The electricity losses incurred in the current year amounted to 11% when compared to the total units bought in the current year.

Audit fees

Current year subscription / fee	2,353,387	2,922,523
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PAYE and UIF

Amount paid - current year	37,354,584	32,434,432
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Pension and Medical Aid Deductions

Amount paid - current year	46,913,971	4,164,046
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VAT

VAT receivable	17,151,503	18,122,867
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Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The deviations as listed hereunder have since been condoned by council.

Description	Date	Awarded to	Sub-section of Section 36 Applied	Reason	Amount
Youth Parliament	01 July 2015	Nomfundo Mzolo	36(1)a(iii)	Guest Speaker at the Business Breakfast	6,00
Youth Parliament	01 July 2015	Outlaws and White Bread	36(1)a(iii)	Artists performing at Youth Parliament Event	3,000
Hosting and maintenance of the Customer Care System	14 July 2015	Quality Designs	36(1)a(iv)	Electronic System for Complaints Management	125,000
Water Sampling	15 July 2015	B N KIRK	36(1)a(ii)	Sole service provider as per Blue Flag criteria, and WESSA approved	21,179
Repair NPS 80296	16 July 2015	Cardinals South Coast	36(1)a(ii)	Repaired by Agents Only	4,522
Preparations of AFS	09 July 2015	Bonakude Consulting (Pty)Ltd	36(1)a(ii)	To assist with preparations of AFS and to deal with audit findings up to the end of the audit	90,658
NPS 32154, Repair Break Adjustments	15 July 2015	Thompson Motors	36(1)a(v)	Tender was at Tribunal, but new tender process has started already	1,826
Awareness Campaign at Oshabeni	15 July 2015	Central Hiring Services	36(1)a(i)	Crime Awareness Campaignshort space of time,emergency	26,106
NPS 85054-TLB Repairs	14 July 2015	Bell Equipment	36(1)a(ii)	Repaired by Agents Only	12,991
NPS 85073TLB Repairs	17 July 2015	Bell Equipment	36(1)a(ii)	Repaired by Agents Only	40,105
NPS66820 - Repairs to Compactor	05 August 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal new tender process has started	24,095
NPS36910 - Repairs to Compactor	05 August 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal new tender process has started	517
Urgent repairs to transformer at Mbango Valley	05 August 2015	Global Transformers	36(1)a(i)	Urgent repairs to restore electricity to Mbango Valley Old Age Home	100,890

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Sound system at Port Shepstone Civic Centre	05 August 2015	Nomphendu General Trading	36(1)a(v)	Sound system at Port Shepstone Civic Centre was faulty and not functioning. Tender was at Tribunal, but new tender process has started already.	8,500
Repairs compactors to NPS 35597 Depot 1	11 August 2015	Thompson Motors	36(1)a(v)	Tender was at Tribunal, but new tender process has started already.	86,816
Repairs to Margate CCTV cameras	12 August 2015	Thompson Motors	36(1)a(ii)	Tender was at Tribunal, but new tender process has started already.	81,967
COF for NPS 67016	12 August 2015	Allway Technology	36(1)a(v)	The only service provider responsible for camera repairs. Tender was at Tribunal, but new tender process has started already.	5,166
Replaced cab air bag and spring NPS67704	12 August 2015	Thompson Motors	36(1)a(v)	Tender was at Tribunal, but new tender process has started already.	3,571
NPS32154 - Repairs to Compactor	18 August 2015	Thompson Motors	36(1)a(v)	Tender was at Tribunal, new tender process has started.	5,106
Water Sampling	24 August 2015	B N Kirk	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Environmental Society of South Africa). Tender was at Tribunal, and the matter hasn't been concluded.	20,493
NPS 36910 - Repairs to Compactor	03 September 2015	Thompson Nissan	36(1)a(v)	Repaired by Agents Only. Tender was at Tribunal, and the matter hasn't been concluded.	5,822
NPS 17330 - Repairs to Dezzi Grader	07 September 2015	Desmond Equipment SA	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded.	21,457
NPS 53443 - Repairs to Compactor	07 September 2015	Thompson Nissan	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded.	12,472
NPS 39599 - Repairs to Compactor	07 September 2015	Thompson Nissan	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded.	33,796
Women's day celebration	11 September 2015	Thina Music Productions	36(1)a(iii)	The planning team has since secured the services of one well known artists.	17,000

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

NPS 39104 - Repairs to Compactor	17 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	1,106
NPS 31865 - Repairs to Compactor	17 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	16,325
NPS 8501 - Repairs to Compactor	17 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	12,224
NPS 39104 - Repairs to Compactor	17 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	11,063
NPS 35597 - Repairs to Compactor	17 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	86,816
Urgent Repairs to Fibre Cables on CCTV Camera	17 September 2015	Allway Technology	36(1)a(v)	Camera's & cabling were installed by this company, they know where they running and therefore minimising the cost and time of finding and resolving	44,030
Repairs NPS 84592	16 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	763
Servicing of olympic pool	16 September 2015	Atlas Filter co	36(1)a(ii)	They are manufactures of filtration system and all spares	27,778
Repair bin and replace ejector panel NPS 39599	16 September 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	-
Repair NPS 43339 RE-seal and replace plates	16 September 2015	ELB Equipment Limited	36(1)a(ii)	Repaired by Agents Only	203,267
Water Sampling Beaches	16 September 2015	BN Kirk	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Enviromental Society of South Africa)	110,584
NPS 77885 - Repairs to Isuzu Tipper Truck	06 October 2015	Bates	36(1)a(ii)	Repaired by Agents Only	21,445

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Repairs to Roller Hydraulic Pump	12 October 2015	Turner Morris (Pty) Ltd	36(1)a(ii)	Repaired by Agents Only	17,125
Water Sampling Beaches	14 October 2015	BN Kirk	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Environmental Society of South Africa)	51,471
Repairs to Concrete Cutter	26 October 2015	Turner Morris (Pty) Ltd	36(1)a(ii)	Repaired by Agents Only	1,746
Repairs to NPS17332 grader	19 October 2015	Desmond Equipment SA	36(1)a(ii)	Repaired by Agents Only	10,634
NPS 37095 - Repairs to Hydraulic on Compactor	12 October 2015	Thompson Nissan	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded	3,135
NPS 39104 - Repairs to Compactor	12 October 2015	Thompson Nissan	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded	37,061
Repairs to Substation at Kapenta Bay	18 October 2015	Global Transformers	36(1)a(i)	Emergency Repairs to substation to restore electricity to Kapenta Bay and surrounding areas	49,020
NPS 18206 - Repairs /Prep COF	26 October 2015	Thompson Nissan	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded	27,328
NPS 33833 - Repairs to Compactor Exhaust	26 October 2016	Thompson Nissan	36(1)a(ii)	Tender was at Tribunal, and the matter hasn't been concluded	3,466
Laying medium voltage cable, make off joint and two termination between Reynolds and Provincial hospital substation	01 October 2015	Imbawula Technical Services	36(1)a(i)	Faulty cable replacement causing electricity to trip	244,129
Major service and repairs to NPS 41633	12 October 2015	Thomson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	9,538
Repairs to a roller's exelator cable, leaks on water tank, and broken bolts	12 October 2015	Ace Tool Hire	36(1)a(ii)	Repaired by Agents Only	9,102
Repairs to NPS17332 grader	19 October 2015	Desmond Equipment SA	36(1)a(ii)	Repaired by Agents Only	10,634
Repair and replace faulty PTO NPS63280	22 October 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	16,404

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Repair and replace broken exhaust NPS73248	22 October 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	3,748
Repair and replace broken exhaust NPS39599	22 October 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	9,188
Replace MV transformer bushing and 3 way mv switch at orsta Crescent and Rathonville	22 October 2015	Global Tranformer services	36(1)a(i)	Load Shedding on the day and the power did not come back after load shedding in Oslo Beach one of HCM MV cables were damaged.	21,204
NPS 37095 - Repairs for COF on Compactor	04 November 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	25,418
Water leak at Marburg Offices, Marburg Clinic, Marburg Library	04 November 2015	Siyehla Plumbing	36(1)a(i)	Water & Sanitation problems that posed a health risk	21,831
Provision of Cards & Accessories & Consumables for a Magicard Printer	14 November 2015	Doculam (Pty) Ltd	36(1)a(i)	Sole service provider for the magic card printer	19,875
NPS 37095 - Repairs to Compactor	14 November 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	6,363
Water Sampling Beaches	14 November 2015	BN Kirk	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Enviromental Society of South Africa)	20,492
NPS 84528 - Repairs - COF on Compactor	14 November 2015	Thompson Nissan	36(1)a(v)	Tender was at Tribunal, and the matter hasn't been concluded	4,470
NPS 17322 - Repairs to Grader	23 November 2016	Desmond Equipment SA	36(1)a(ii)	Yellow plant repairs are carried by aproved agents only	2,302
Hiring of Cage Trucks	10 December 2015	Thompson Nissan	36(1)a(i)	Bidder withdrew from tender process urgent due to seasonal plan	108,000

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Hire of Refuse Compactors	10 December 2015	Thompson Nissan	36(1)a(i)	Bidder withdrew from tender process urgent due to seasonal plan	390,000
Repairs Bell TLB - NPS 85073	10 December 2015	Bell Equipment Sales	36(1)a(ii)	Yellow plant repairs are carried by approved agents only	89,628
Water Samples-November 2015	15 December 2015	B N KIRK (Natal)	36(1)a(i)	Blue flag status programme service provider recommended by WESSA (Wild Life and Environmental Society of South Africa)	24,329
Printing of 58 certificates for councillors	21 December 2015	Palm Printers CC	36(1)a(iii)	Specialised services	1,277
Repairs Bell TLB - NPS 4267	21 December 2015	ELP Equipment Limited	36(1)a(i)	Yellow plant repairs are carried by approved agents only	133,208
Cof Required on Nps 77885, Replace chevron board, left hand side step, and rear mudflaps	14 January 2016	Pothole Repairs-Depot 3 Area	36(1)a(ii)	Approved Sole Agents, for Heavy Duty Trucks	5,757
Pothole Repairs-Depot 3 Area	25 January 2016	Bates	36(1)a(v)	Tender was cancelled at Tribunal, Tender to be readvertised	584,888
Pothole Repairs-Depot 1 Area	25 January 2016	Igorha Constrction	36(1)a(v)	Tender was cancelled at Tribunal, Tender to be readvertised	926,318
Pothole Repairs-Depot 2 Area	25 January 2016	Zamile Zum Contractors	36(1)a(v)	Tender was cancelled at Tribunal, Tender to be readvertised	926,318
Pothole Repairs-Depot 4 Area	25 January 2016	Mvuleni Business Enterprise	36(1)a(v)	Tender was cancelled at Tribunal, Tender to be readvertised	722,486
Pothole Repairs-Depot 3 Area	26 January 2016	Zwelo's Construction	36(1)a(v)	Tender was cancelled at Tribunal, Tender to be readvertised	955,958
Repairs to NPS 55454-Leaking circle drive and replace muffler, grader	09 February 2016	ELB Equipment	36(1)a(ii)	Repaired by agents only	58,507
Repairs to NPS 85073, TLB Machine, Controller engine	16 February 2016	Bell Equipment	36(1)a(ii)	Repaired by agents only	20,132
Repairs ,Spares for Various graders	11 February 2016	ELB Equipment	36(1)a(ii)	Repaired by agents only	43,064
Professional fees for compilation of HCM GRAP Infrastructure Asset register for year ending 30/06/2015	23 February 2016	Ducharme Consulting (Pty) Ltd	36(1)a(i)	To be consistant, and to have the same format of Asset register	47,569

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Hiring OF Portable Toilets during the festive season for Hibberdene	24 February 2016	Zamori 318 Pty Ltd	36(1)a(ii)	Emergency, after the conservancy tank collapsed	42,300
Service and Repairs to Machine - 6001351099792, 1721-ZE3-505P, and TSBRN350X10X25	25 February 2016	Turner Morris Pty Ltd	36(1)a(i)	Repaired by Agents Only	5,410
Preparation of AFS	26 February 2016	Bonakude Consulting	36(1)a(v)	To assist with preparations of AFS and to deal with audit findings up to the end of the audit	3,078
Repairs to engine controller of a walk behind Roller	25 February 2016	Bell Equipment	36(1)a(i)	Repaired by Agents Only	20,132
HIRE OF TLB & PAD FOOT ROLLER	14 March 2016	SOBUZA INVESTMENT	36(1)a(i)	Tender on hold due to high court order	312,000
HIRE OF GRADER & TIPPER TRUCKS	14 March 2016	EKENE INVESTMENT S	36(1)a(i)	Tender on hold due to high court order	675,993
HIRE OF 120G GRADER	14 March 2016	AQUA TRANSPORT & PLANT HIRE	36(1)a(i)	Tender on hold due to high court order	293,436
HIRE OF 20 TON EXCAVATOR	14 March 2016	IMVUSA TRADING 913 CC	36(1)a(i)	Tender on hold due to high court order	230,599
Repairs of NPS 17322, valve brake assembly single 55bar, brake caliper hand brake, pad kit 6wg-210 park brake	17 March 2016	DESMOND EQUIPMENT SA	36(1)a(ii)	Yellow plant repaired by agents only	30,546
Remove Existing plastic sewer tank and sand from existing concrete tank	23 March 2016	Lezak Trading	36(1)a(i)	Sewage spilling into the lagoon causing health hazard	45,000
Construction of a new septic tank	24 March 2016	Telegenix trading 261	36(1)a(i)	Conservancy tank at hibberdene blue flag collapsed	108,300
Repairs NPS 7788	01 April 2016	Bates	36(1)a(ii)	Repairs by Sole Agent	22,662
Hiring of portable toilets at Margate offices	08 April 2016	Telegenix Trading'	36(1)a(i)	CCTV cameras urgently needed in at Madam Mayor's house for security reasons	8,823
Additional security work at Madam Mayor's house	07 April 2016	KZN Burglar Proofing and Automation	36(1)a(i)	CCTV cameras urgently needed in at Madam Mayor's house for security reasons	1,500
Supply and fit 2 concrete blades for cutter at Depot 3	07 April 2016	Turner Morris	36(1)a(ii)	Emergency Repairs to Compactor	2,350
Repairs to NPS 84592	13 April 2016	V & R Rebuilds	36(1)a(i)	Emergency Repairs to Compactor	66,349

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Water Sampling	13 April 2016	BN Kirk (PTY) LTD	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Enviromental Society of South Africa)	36,751
Water Sampling	13 April 2016	BN Kirk (PTY) LTD	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Enviromental Society of South Africa)	26,769
Pothole Repairs	29 April 2016	Zwelos Construction	36(1)a(v)	Tender was cancelled at Tribunal, Tender has been readvertised	544,897
Hiring of compactors	29 April 2016	Brian Thompson and Brothers	36(1)a(i)	The council could not collect refuse due insufficient compactors	389,334
Hiring of cage trucks	29 April 2016	Brian Thompson and Brothers	36(1)a(i)	The council not collect refuse due insufficient cage trucks	108,000
Pothole Repairs	29 April 2016	Mvuleni Business Enterprises	36(1)a(v)	Tender was cancelled at Tribunal, Tender has been readvertised	792,004
Pothole Repairs	29 April 2016	Brainwave Projects 1432	36(1)a(v)	Tender was cancelled at Tribunal, Tender has been readvertised	203,859
Pothole Repairs	06 May 2016	Igorha Constrction	36(1)a(v)	Tender was cancelled at Tribunal, Tender has been readvertised	377,852
Repairs to concrete cutter Depot 2, fittings, clamps and clamps, filter, inlet valve, spark plug, v belt	09 May 2016	Turner Morris	36(1)a(ii)	Repaired by Agents Only	3,314
Security dangerous goods follow up inspection at Margate Airport	10 May 2016	South African Civil Aviation	36(1)a(ii)	Only CAA can conduct audits, and inspection of the Airport	1,290
Approval flight information service to be supplied and delivered	11 May 2016	South African Civil Aviation	36(1)a(i)	Only CAA can conduct audits, and inspection of the Airport	10,240
Supply and deliver toilet at Marburg office for one month	17 May 2016	Sanitech (Pty) Ltd	36(1)a(ii)	Mobile ablutions had to be provided due to health hazard	46,056

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

Water sampling	17 May 2016	B N KIRK (Natal)	36(1)a(ii)	Blue flag status programme service provider recommended by WESSA (Wild Life and Environmental Society of South Africa) Only CAA can conduct audits, and inspection of the Airport Sole service provider of online aviation legislation (print and online) Sole service provider to provide accredited maintenance of runway lighting for the Margate Airport.	22,971
Dangerous goods follow up inspection for Margate Airport	12 May 2016	South African Civil Aviation	36(1)a(ii)	Repaired by agents only	1,290
South African online aviation legislation	16 May 2016	Lexis Nexis Butterworths	36(1)a(ii)	Repaired by agents only	1,743
Conducting the annual maintenance of runway lights	16 May 2016	ABD Airfield Solutions	36(1)a(ii)	Tender on hold due to high court order	117,000
Repair and service roller Depot 2, hydraulic leak, service engine, starter, and water tank sprayers	20 May 2016	Ace Tool Hire	36(1)a(ii)	Tender on hold due to high court order	11,309
Repair and service roller Depot 2, rubber mounting, deisel fuel pipes, bolts, water spraying pipes, service to engine	20 May 2016	Ace Tool Hire	36(1)a(i)	Tender on hold due to high court order	11,193
Hiring of Plant and Equipment Excavator 20 ton on wet rate	27 May 2016	Imvusa Trading 913 cc	36(1)a(i)	Tender was cancelled at Tribunial, Tend er has been readvertised	117,073
Hiring of 120G grader at wet rate	27 May 2016	Aqua Transport & Plant Hire	36(1)a(i)	Repairs to Yellow Plant as approved by DOT agents only	148,975
Pothole repairs Depot 3	27 May 2016	Zwelo's Construction	36(1)a(v)	Tender on hold due to high court order	544,897
Supply and Installation of a battery	27 May 2016	Desmond Equipment SA	36(1)a(v)	Tender was cancelled at Tribunial, Tend er has been readvertised	1,979
Hiring of water tanker 6000-9000l capacity	27 May 2016	Ethos Transport and Road Services	36(1)a(i)	Tender on hold due to high court order	131,492
Hiring of 2 tipper trucks at wet rate	27 May 2016	Ekene Investments	36(1)a(i)	Tender on hold due to high court order	343,197
Pothole Repairs	08 June 2016	Zamile Zum Contractors	36(1)a(v)	Tender was cancelled at Tribunial, Tend er has been readvertised	528,002

Hibiscus Coast Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Deviation from supply chain management regulations (continued)

School Visit	08 June 2016	Wordart Communications	36(1)a(v)	to procure as the Service provider is secured with Transnet sponsoring the event	67,660
Pothole Repairs	09 June 2016	Mvuleni Business Enterprise	36(1)a(v)	Tender was cancelled at Tribunal, Tender has been readvertised	271,411
	1887		- 4284	-	13,686,615